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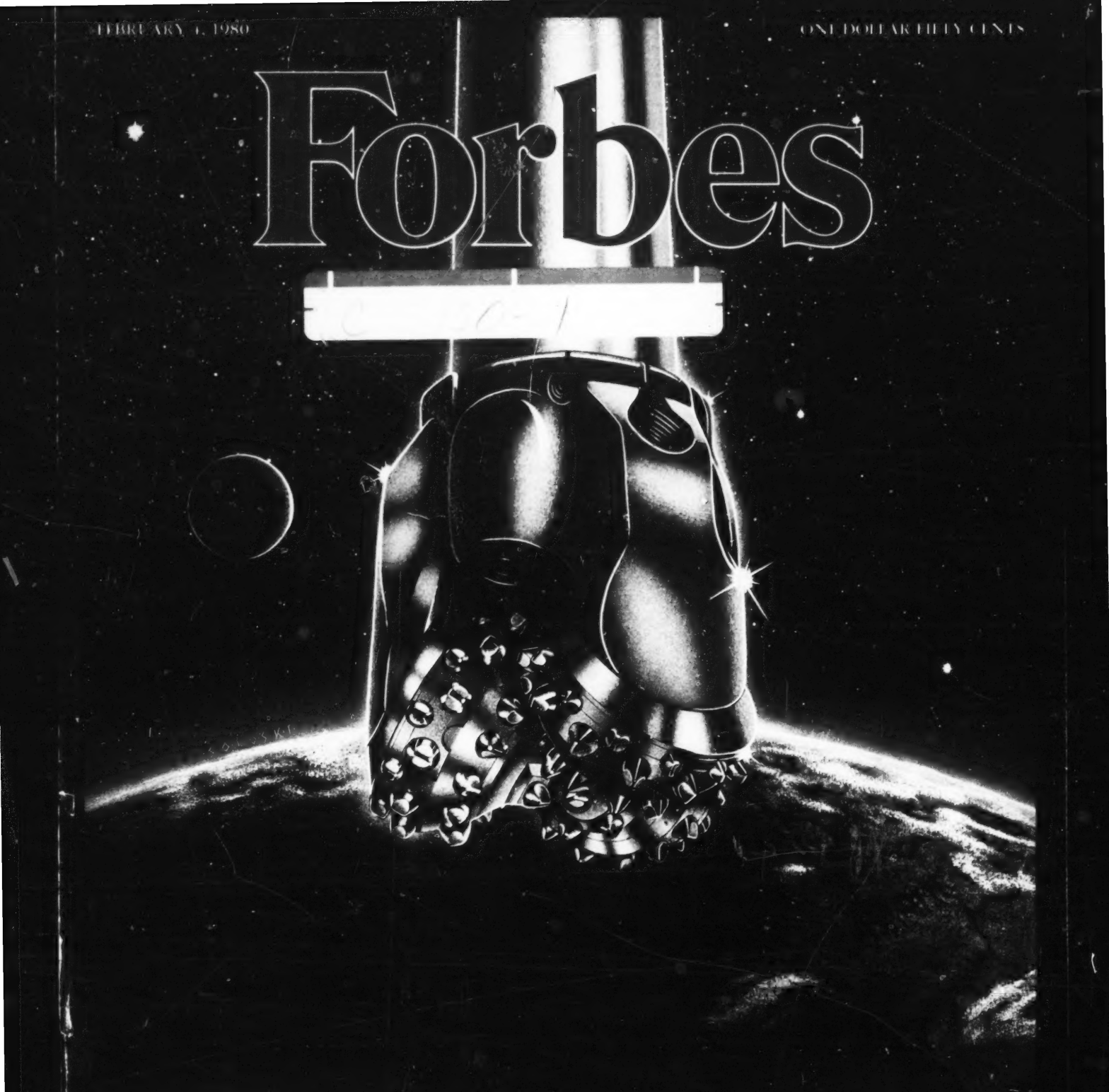

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Forbes

February 4, 1980
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Is there life after Chapter 11? Not only is there life, but in some companies, resurrection.

Statistical Spotlight

Bargains in bankruptcy

IT USED TO BE every investor's dream to get in early on the next Xerox or the next Polaroid. That dream has faded before harsh reality. Perhaps it is a sign of the times that the first table shows some of the outstanding gains the stock market has produced in the last decade. The gains ranged from 425% to 8,600%.

Hot stocks? Hardly. These big winners are all companies that went bankrupt.

Is there, then, life after Chapter 11? In many cases, no. Some companies simply liquidate and disappear. Or their stockholders and junior creditors are wiped out. But not always. Where there is good new management, a solid core of assets and a fat tax shelter, once-bankrupt companies can flourish again.

Interested? We've prepared some tables. The first, of course, shows a handful of securities that have made spectacular recoveries after a bout in bankruptcy court; it shows what is possible.

The second table lists securities issued by companies that have emerged from bankruptcy within the past three years but have not staged a spectacular recovery. Most never will. Nevertheless, a few of the companies on the second table could one day make it to the first.

Our third table is of companies now in bankruptcy. These securities are the most depressed. Their future—if any—depends on what happens in bankruptcy proceedings and whether the company is reorganized successfully.

Our fourth table lists securities of companies that recently were or are close to bankruptcy and are badly depressed.

For adventurous investors, the second and third tables may contain some useful ideas. There are two possible ways to play these lists. If you are the cautious, studious kind you will want to study each situation and decide which ones will pull back into prosperity. If you are too busy—or too impatient—you might buy a package of the securities. And, just to make sure you don't forget that these are scarcely risk-free stocks, we append a fifth table that shows some bankrupt companies whose securities went over Niagara Falls without a barrel.

This merchandise may not be choice, but it is not overpriced.—*Robert J. Flaherty and Stephen Gilbarg*

Six that came back

The companies listed below sought protection under bankruptcy laws, got it and came back strong—with enormous profits to those willing to take a chance when things looked bleak.

Company *Senior security*	Bankruptcy filing date	Price near filing date‡	Recent price	% change	Business
Cavanagh Communities	Feb 19, 1975	½	5¼	+950%	Homesite sales
9s91 cv deb		5	62	+1,140	
Daylin	Feb 26, 1975	¼	4§	+433	Home improvement, medical
Hartfield-Zodys	Nov 15, 1974	11/16	8⅝	+1,155	Discount dept stores, apparel shops
Miller-Wohl	Sept 28, 1972	⅜	19	+4,967	Apparel specialty shops
Toys 'R' Us (Interstate Stores)†	May 22, 1974	⅜*	30¼	+7,967	Discount toy supermarkets
4s92 cv deb		4	348**	+8,600	
Unishops	Nov 30, 1973	½	2⅝	+425	Discount department stores

Seven to ponder

The companies below have emerged from bankruptcy within the past three years. For some, the stock price action suggests that a recovery is under way. For others, the stock action suggests no such thing.

Company *Senior security*	Bankruptcy filing date	Price near filing date‡	Recent price	% change	Business
Great American Mgmt & Invt	Mar 25, 1977	1¼*	3⅛	+79%	Rental housing, hotels
Guardian Mortgage Investors	Mar 8, 1978	¾	1	+33	First mortgage loans
6¾s86 deb		20	37	+85	
Key International Mfg (Boback)†	July 30, 1974	3⅜	¼	–93	Supermarket chain
6s93 deb		10	5	–50	
Lifetime Communities (Fidelity Mtg)†	Jan 30, 1975	1⅝	1⅛	–31	Real estate investment
Penn Central Corp (Penn Central Co)†	June 21, 1970	162½*	23¾	–85	Diversified
3½s97 1st Mtg (NY Central)		16	73	+356	
United Merchants & Manufacturers	July 12, 1977	2½	6⅝	+165	Textiles, apparel
4s90 cv deb		32	40	+25	
Vesper (Alan Wood Steel)†	June 10, 1977	2	2	0	Steel products

*Adjusted to current-share basis. † Former company name. ‡Debentures priced as percent of par. In the case of Penn Central, price is the value of package received for the original debenture. §Cash value on Mar. 20, 1979, date acquired by W.R. Grace. ** Based on conversion value of 116 common shares.

Tables continued on next page.

Continued from preceding page

Twenty in bankruptcy

Stocks of companies still in bankruptcy often sell for pennies. Even a slight hope can trigger a bonanza. Senior securities in these companies sell much higher, anticipating gains (if any) arising out of a successful reorganization.

Company *Senior security*	Bankruptcy filing date	Price near filing date*	Recent price	% change	Business
Allied Artists Industries	Apr 4, 1979	1¾	⅜	–79%	Films, motor homes
8¾s87 cv deb		45	40	–11	
Allied Supermarkets	Nov 6, 1978	⅝	1¼	+100	Midwest food chain
5¾s87 cv deb		18	33	+83	
Apeco	Oct 19, 1977	⅜	¾	+100	Photocopying, mobile homes
Capehart	Feb 16, 1979	⅜	⅛	–67	Stereo consoles and systems
Chase Manhattan Mtg & Realty	Feb 22, 1979	⅞	⅝	–29	REIT
11¾s97 cv deb		42	45	+7	
Chicago, Rock Island & Pacific RR	Mar 17, 1975	5	2	–60	Western railroad
City Stores	July 27, 1979	2¼	3⅛	+39	Department and specialty stores
Commonwealth Oil Refining	Mar 2, 1978	1¾	10¼	+486	Offshore refinery
4¼s92 cv deb		35	60	+71	
Continental Investment	Apr 30, 1976	¼	1½	+500	Investment company management
9s85 deb		10	76	+660	
Continental Mortgage	Mar 9, 1976	¼	⅜	+50	REIT
6¼s90 deb		18	37	+106	
Duplan	Aug 31, 1976	1⅞	⅛	–93	Manufacturer of buttons, fabrics
FDI	Dec 1, 1978	½	¼	–50	Auto parts, accessories
Food Fair	Oct 2, 1978	2⅞	2⅞	0	Supermarkets, department stores
8¾s96 deb		93	64	–31	
Inforex	Oct 24, 1979	1⅞	1¾	–7	Data entry systems
10¾s98 deb		30	30	0	
Lafayette Radio Electronics	Jan 4, 1980	⅞	⅞	0	Sells hi-fi components
Mansfield Tire & Rubber	Oct 1, 1979	¾	5/16	–58	Replacement tires and tubes
Metroplex Realty Trust (Justice Mtg)†	Dec 30, 1977	½	½	0	REIT
Piedmont Industries	Feb 22, 1979	1⅛	½	–56	Shirts, pants
Tenna	Dec 5, 1979	1⅜	½	–64	Auto accessories, motors
West Chemical Products	Jan 23, 1979	2½	6	+140	Environmental health, agriculture

*Debentures priced as percent of par. †Former company name.

Five to watch

The companies below are known to have considered filing for bankruptcy—or could become hard-pressed enough to have to do so. In hindsight, years hence, will any of them have been superbuys for people who can stand big risks?

Company *Senior security*	Recent price*	1978–1979 price range	Current yield	Business
Arlen Realty & Development	3½	5¼– 1⅝	none	Real estate development
5s86 cv deb	44	66½–40⅛	11.4%	
Chrysler	7¾	13¾– 5½	none	Automaker
8s98 deb	51¼	80½–42	15.6	
Fidelco Growth Investors	4¼	7 – 1⅝	none	Mortgage loan investments
General Public Utilities	7⅜	21⅛– 7	13.1	Utility holding company
8½s2003 deb (Metropolitan Edison)	57	98½–57	14.9	
Itel	5⅜	37½– 3½	none	Financial services, equipment leasing
10½s98 deb	50¼	100 –40¼	20.7	

*Debentures priced as percent of par.

Five that stayed dead

The following companies went bankrupt and completely wiped out shareholders.

Company	Chapter 11 filing date	Price near filing date	Current value of old common	% change	Business
Arlan's Department Stores	May 14, 1973	1¾	worthless	–100%	Self-service discount stores
Franklin New York	Oct 16, 1974	8¾*	worthless	–100%	Bank holding company
WT Grant	Oct 2, 1975	2⅞	worthless	–100%	Variety department stores
R Hoe & Co	July 7, 1969	2	worthless†	–100%	Newspaper equipment, mill saws
National Bellas Hess	Oct 29, 1974	¼	worthless	–100%	Retail department stores

*Price as of May 15, 1974, the latest available bid. †New common stock was issued to holders of old Class A shares; the old common received no consideration in reorganization.